

INDUSTRY UPDATE

Biweekly Period Ending July 14, 2001

Phoenix Metro Area

Manufacturing

With the **recent rejection** by the European Union of a **merger with General Electric**, more than **15,000 Phoenix-area Honeywell employees** who were unsure about their future can **breathe a sigh of relief** — at least for now. The return of recently retired Lawrence Bossidy as chief executive officer, however, should not give Honeywell workers an overly high sense of security. Although Bossidy said he plans to keep Honeywell independent, the CEO announced he plans to **sell off poorly performing assets**. One good note for Valley employees (and about 900 employees in Tucson) is that the **profitable aerospace business**, which makes up a majority of Honeywell's operations in Arizona, is **not expected** to be **heavily targeted for layoffs**.

Trade

Sears closed three Valley Homelife stores — in Mesa, Scottsdale, and Glendale — as part of a nationwide shutdown of the 128-store furniture chain. Although the Chicago-based retailer said it was closing the stores "temporarily," all 2,000 store employees and most of the corporate staff were laid off.

Balance of State

Manufacturing

Expansion by three cold storage and salad processing companies in Yuma is expected to **create 550 new full- and part-time jobs by this fall**. The city of Yuma has been asked to fast-track approval of three plants, costing more than \$12 million, in order to complete the projects in time for

lettuce-harvesting season. **Advanced Cooling Systems** plans to construct a **73,500-square-foot cold storage facility** at Avenue 3E and 40th Street; next-door neighbor **Newstar Fresh** will build a **102,000-square-foot plant**, with about one-third devoted to salad processing and the rest to cold storage; and **Natural Selection Foods** plans to erect a **138,000-square-foot plant** at 36th Street and Avenue 3E that will begin as a cold-storage facility, but then add organic salad processing.

North Star Steel agreed to pay a **\$7¼ million fine** to the state for exceeding emissions levels at its Kingman plant. North Star, which employs about 160, said recent layoffs (see May 5th *Industry Update*) had nothing to do with the settlement. The plant opened in 1996.

Transportation, Communications, and Public Utilities

The board of the **Arizona Electric Power Cooperative**, which serves southeast Arizona, agreed to spend up to \$30 million to build a **40-megawatt generating plant** at its **Apache Generating Station near Willcox**. The natural gas-fired plant is expected to be **on-line by late summer of 2002**.

Services

Yavapai Regional Medical Center (YRMC) will build **Prescott Valley's first hospital** within the **next 18 to 24 months**. Prescott-based YRMC will locate the facility — which will include at least 50 beds — on 27 acres adjacent to the Del E. Webb Outpatient Center on Windsong Drive. YRMC also operates a hospice, and physical rehabilitation and enhanced imaging facilities in Prescott Valley.

Trade

Prescott Gateway Mall, which is expected to open next March, announced **Barnes & Noble** will **lease 25,000 square feet** in a separate building adjacent to the mall's food court. Westcor Co., the mall's developer, has been pursuing the national bookstore chain for a year. There is **no information** available on **how many people** the store will **employ**.

Government

An 8.4 percent **cut in Mohave County's budget** that began July 1 could **lead to layoffs** and a reduction in services. The county's Sheriff's Office, which has already closed jails in Mohave Valley and Lake Havasu City and a substation in Golden Valley, may need to make further cuts. Eleven correction officers were transferred to Kingman because of the closures, but 10 officers may also face layoffs.

Statewide

Trade

Phillips Petroleum is expected to **liquidate an undetermined number of Circle K and Phillips 66 stores** after its \$7 billion merger with Tosco Corp. is approved. According to a story on the Internet site of the British business publication *Financial Times*, about \$1 billion in assets will be sold by Phillips. Oil refiner **Tosco**, which **recently laid off 200 employees** (primarily within its Tempe marketing department), owns 6,400 Circle K stores. A Phillips spokesperson said it will sell stores where there is an overlap in the market.

Services

A federal judge ruled that **Arizona's Indian gaming compacts are illegal** and stopped the governor from negotiating any new gaming compacts. The ruling was brought about by a suit by filed the state's horse- and dog-racing industry, which claimed the Indian compacts violate the state's constitution because they give the Indian tribes a right to

run casino games and not businesses outside of the reservation. It's **not expected** that the ruling will **affect current gaming on 15 Indian reservations** in the state until, and if, the decision is affirmed by a federal Appeals Court. In the meantime, the state Legislature is expected to take up the issue. According to a recent report by the University of Arizona's Udall Center for Studies in Public Policy, **state Indian gaming employs more than 9,300 workers** and has an economic impact of more than \$450 million.

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